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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

DEPARTMENT OF HUMAN SERVICES

THE AIME J. FORAND BUILDING

600 NEW LONDON AVENUE

CRANSTON, RI 02920

PRINCIPLES OF REIMBURSEMENT

FOR

NURSING FACILITIES

EFFECTIVE JULY 1, 1996

# PRINCIPLES OF REIMBURSEMENT

TN# 96-007 Supersedes TN# 93-013

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PRINCIPLES OF REIMBURSEMENT  
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**PRINCIPLES OF REIMBURSEMENT**  
**APPLICABLE FEDERAL AND STATE LAWS**

**Legal Basis for Program**

The Rhode Island Medical Assistance Program was established on July 1, 1966, under the provision of Title XIX of the Social Security Act as amended by Public Law 89-97 which was enacted by the Congress on July 30, 1965. The enabling State Legislation is to be found in Title 40, Chapter 8 of the Rhode Island General Laws, 1956, as amended.

**The Powers of the Director**

Rhode Island General Laws 40-8-13 provides that the Director of the Department of Human Services, shall make and promulgate rules, regulations, and fee schedules, for the proper administration of the Medical Assistance Program, and to make the Department's State Plan for Medical Assistance conform to the provisions of the Federal Social Security Act.

**Penalties for Misrepresentation or Fraudulent Acts**

Penalties for misrepresentation or fraudulent acts involving this program are covered by both Section 1909 (a) of the Social Security Act, and Sections 11-41-3, 11-41-4, 40-8.2-3, 40-8.2-4 and 40-8.2-7 of the Rhode Island General Laws and any other applicable statutes. These criminal penalties are in addition to civil actions

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for damages, recoveries of overpayments, injunctions to prevent continuation of conduct in violation of Chapter 40-8.2, as well as suspension or debarment from participation in the program by state or federal authorities.

## INTRODUCTION

It should be noted that commencing with the 1978 calendar year, the Rhode Island Medical Assistance Program began to make payment to participating facilities on a prospective basis. Starting with the fiscal year 1994 and each subsequent year a per diem rate for each participating facility will be established prior to July 1 to be effective July 1 of each year for all services provided during that year.

This per diem reimbursement rate will represent full and total payment for services provided and, except for changes as a result of an audit of the facility's base year, will not be subject to a retrospective adjustment at year-end to reflect increases or decreases in actual costs. Therefore, if a facility is able to exercise cost efficiencies without adversely affecting the quality of patient care and without manipulation of buying patterns and other operating expenses intended to inflate base year costs, the difference between its actual per diem cost and the per diem rate established by the Rhode Island Medical Assistance Program will be retained by the facility. If, on the other hand, the facility is not able to

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control its costs and its actual per diem rate exceeds the rate established by the State, the difference will be absorbed by the facility.

### **Example**

A facility is assigned a prospective rate of \$80.00 per day for the 1994 fiscal year based on the operating expenses of the facility's base year, as verified by audit, and as adjusted by the appropriate index for inflation for fiscal years subsequent to the facility's base year. If as a result of increased efficiency, the facility can reduce its cost of operation for the 1994 fiscal year to \$77.00 per day, the facility will be permitted to retain the difference between the assigned rate of \$80.00 per day and its actual cost of operation, \$77.00 per day. If, on the other hand, the facility is unable to control its costs and its actual cost of operation amounts to \$82.00 per day, the difference of \$2.00 per day will be absorbed by the facility.

The above introduction and example represent a brief explanation of the prospective system and is included for informational purposes only. This does not represent a statement of policy, since the particulars of the system are explained in the document.

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**RECORDS RETENTION AS PROVIDED FOR BY THE STATUTE OF LIMITATIONS**

**(12-12-17)**

Each provider of long term care services participating in the Title XIX Medical Assistance Program in accordance with the provisions of these Principles of Reimbursement will maintain within the State of Rhode Island all original records or hard copies of records and data necessary to support the accuracy of the entries on the annual BM-64 Cost Report. However, original invoices, canceled checks, contracts, minutes of board of directors meetings and any other material used in the preparation of the annual cost report must be retained in Rhode Island for at least ten (10) years following the month in which the cost report to which the materials apply is filed with the State Agency as required by the Statute of Limitation. Each provider will make available upon request such records and all other pertinent records to representatives of the State Agency, representatives of the Federal Department of Health and Human Services, and the State's Medicaid Fraud Unit within the State's Attorney General Office.

The State Agency will maintain all cost reports submitted by providers and all audit reports prepared by the Agency for at least ten (10) years after the month in which the cost report was filed by the provider or at least ten (10) years after the month in which the audit was conducted.

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